City and Borough of Juneau
Minutes - Assembly Finance Committee Meeting
Wednesday, February 11, 2015, 5:30 p.m.

I. Call to Order

The meeting was called to order at 5:31 PM by Karen Crane, Chair.

II. Roll Call

Committee Members Present: Karen Crane, Merrill Sanford, Mary Becker, Debbie White, Jesse Kiehl, Jerry Nankervis, Kate Troll, Maria Gladziszewski, Loren Jones
Committee Members Participating Telephonically**:** None
Committee Members Absent: None

III. Approval of Minutes

The January 21, 2015 minutes were adopted as presented.

IV. TERC Recommendations Summary

Recommendation 1 – Increase the sales tax cap on sale of single item or single service from $7,500 to $14,000.

Mayor Merrill Sanford moved, to amend Recommendation 1 with Amendment 1, as follows:
Increase the sales tax cap on sale of single item or single service from $7,500 to **$12,000** [~~$14,000~~].

Loren Jones moved, to amend Recommendation 1, Amendment 1, with Amendment 2, as follows:
Increase the sales tax cap on sale of single item or single service from $7,500 to **$12,000** [~~$14,000~~]; **adjusting the amount every two years by the Anchorage CPI**.

Roll call votes:
Ayes: Nankervis, Jones, Kiehl, Troll, Gladziszewski, and Crane.
Nays: White, Becker, and Sanford.
Absent: None

and this motion PASSED 6-3.

Jerry Nankervis moved to approve Recommendation 1 with Amendments 1 & 2, as follows:
Increase the sales tax cap on sale of single item or single service from $7,500 to **$12,000** [~~$14,000~~]; **adjusting the amount every two years by the Anchorage CPI**.
and this motion PASSED 9-0 with no objections.

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Recommendation 2 – Remove Senior sales tax exemption eligibility for non-Juneau residents.

Mayor Sanford asked Mr. Bartholomew to review the reasons this item was recommended. Mr. Bartholomew invited members of TERC to add specific reasons they may have had. He provided specific information points that were provided to the committee. Currently staff estimates 15 – 18% of the outstanding tax exemption cards are issued to non-residents. This has been consistent over the last few years. It is currently estimated that about 600 cards that are outstanding now. Non-resident senior exempt sales are estimated at 7 – 12% of all senior exempt sales. The resulting loss of revenue is estimated to be $195,000 – $340,000 for taxes exempted to non-residents.

Jerry Nankervis moved to approve Recommendation 2, as follows:
Remove Senior sales tax exemption eligibility for non-Juneau residents.

Roll call votes:

Ayes:	Nankervis, Kiehl, Troll, Gladziszewski, Crane and Sanford.
Nays:	White, Becker, and Jones.
Absent:	None

and this motion PASSED 6-3.

Recommendation 3 – Remove Senior sales tax exemption for meals purchased at restaurants / eating establishments.

Mayor Sanford moved to approve Recommendation 3, as follows:
Remove Senior sales tax exemption for meals purchased at restaurants / eating establishments.

Roll call votes:

Ayes:	Nankervis, Kiehl, Troll, Gladziszewski, Crane and Sanford.
Nays:	White, Becker, and Jones.
Absent:	None

and this motion PASSED 6-3.

Recommendation 4(a) – All Seniors would be exempt on essentials (food, electricity and heating fuel). All other purchases subject to tax unless qualifying for income based program.

Assembly members discussed different approaches to the recommendation and variations thereof, including dividing or removing the second sentence of the recommendation, and adding water and sewer as essentials.

Jesse Kiehl moved to approve Recommendation 4(a), with Amendment 1, as follows:

All Seniors would be exempt on essentials (food, electricity and heating fuel). ~~All other purchases subject to tax unless qualifying for income based program.~~
Jesse Kiehl moved for the body to take leave of the motion and the amendment prior to voting on it.

The meeting was recessed for a short break at 6:15 PM.
The meeting was reconvened at 6:22 PM.

Jesse Kiehl moved to amend Recommendation 4(a), with Amendment 1, as follows:
All Seniors would be exempt on [~~essentials (~~]food, electricity and heating fuel[~~)~~]. [~~All other purchases subject to tax unless qualifying for income based program.~~] **And that seniors with a household income level below 250% of the Alaska poverty level would retain the current full exemption on all qualified purchases.**

Loren Jones moved to amend Recommendation 4(a), with Amendment 2, as follows:
To include City and Borough water and sewer to the list of exemptions.

Roll call votes:

Ayes:	Nankervis, Kiehl, Troll, Gladziszewski, Crane and Jones.
Nays:	White, Becker, and Sanford.
Absent:	None

and this motion PASSED 6-3.

Jesse Kiehl moved to approve Recommendation 4(a), with Amendment 1 & 2 , as follows:
All Seniors would be exempt on [~~essentials (~~]food, electricity, heating fuel[~~)~~], **City and Borough water and sewer.** [~~All other purchases subject to tax unless qualifying for income based program.~~] **And that seniors with a household income level less than 250% of the Alaska poverty level would retain the full exemption on all qualified purchases.**

Roll call votes:

Ayes:	Nankervis, Becker, Troll, Gladziszewski, Kiehl, White, and Crane.
Nays:	Jones, and Sanford.
Absent:	None

and this motion PASSED 7-2.

Recommendation 5 – Lower the property tax hardship income qualification level from 120% of median income to a 4 tiered program based on 250% of the federal poverty level for Alaska.

Bob Bartholomew provided further explanation, pointing to a visual example of the tiered program on page 13 of the agenda packet. The second column of the table shows 250% of the federal poverty level, which would be adjusted annually. If you have a two-person senior household income up to $49,150, you would maintain 100% of the existing property tax exemption. As your income rises across the table through the tiers, you would qualify for a smaller portion of the exemption. When you exceed $78,640 you would no longer qualify for the property tax hardship exemption. You would still maintain the $150,000 Property Exemption.

Chair Crane added that we are not talking about the state mandated $150,000 Property Tax exemption that every senior will continue to receive off of their property tax. The Borough offers an additional hardship exemption over and above the State mandated exemption.

Loren Jones asked, what is the income level for a single person household?
Bob Bartholomew pointed to the top table on page 12 of the agenda packet, demonstrating how a single person income level at 250% would be $36,450.

Kate Troll moved to approve Recommendation 5, as follows:
Lower the property tax hardship income qualification level from 120% of median income to a 4 tiered program based on 250% of the federal poverty level for Alaska, as presented.

Roll call votes:

Ayes:	Gladziszewski, Kiehl, Nankervis, Troll, and Crane.
Nays:	Becker, White, Jones and Sanford.
Absent:	None

and this motion PASSED 5-4.

Chair Crane stated that these recommendations came from TERC. The recommendations will be forwarded to the Assembly. Items 1, 2 & 3 have effective date of change of July 1, 2015 while 4 & 5 would become effective January 1, 2016.

Chair Crane asked for any other recommendations that a member of the Assembly would wish to bring forward at this time.

Kate Troll stated that there was one recommendation from TERC that had two votes in support, one opposed, and one absent. That was the question about removing jewelry sales from the single item cap. Ms. Troll asked to move a motion.

Jerry Nankervis said he thought the body was acting on the recommendations of TERC.

Chair Crane said that the body had acted on the recommendations, but had invited recommendations that Assembly members would like to forward

Kate Troll moved to remove jewelry purchases from the single item cap.

Chair Crane preferred to hear from the City Attorney (who was not present tonight) before voting on this. Kate Troll said that the City Attorney had previously provided an opinion that it was appropriate during the Sales Tax Committee.

Jesse Kiehl asked Staff if they had an analysis of the amount that is exempted above the cap for jewelry that would fall below the Cap. For an example, how much of what we have been exempting is a $8,000 piece of jewelry versus a $36,000 piece of jewelry? He would be interested in knowing how much raising the cap captures. Clinton Singletary did not have such an analysis at this time.

Kate Troll moved to remove her earlier motion to remove jewelry purchases from the single item cap.

Chair Crane asked for any other recommendations from the body.

Loren Jones moved that the Assembly prepare a ballot initiative that exempts all citizens from sales tax on food, home electricity, fuel, and that the current permanent sales tax be raised by 1%.

Assembly members discussed their thoughts on Mr. Jones' motion, including their objections and requests for further information, draft ordinance and requests for further discussion on the topic.

Mr. Jones said his intent was to draft an ordinance to start a discussion on the topic. Chair Crane asked Mr. Jones if he would be willing to make this a topic for a future meeting and have Assembly members forward their questions to the Chair.

Mr. Jones agreed to table the motion and have this topic addressed at a future meeting.

Mary Becker moved that the senior tax exemptions that passed tonight be kept for final implementation until the end of the budget deliberations with the opportunity to reconsider if there is a vote to decide.

Ms. Becker provided further clarification at Ms. Gladziszewski's request, stating the senior tax be put on the end of the budget process so they are not implemented into the budget until the end of the budget process, so this body has the opportunity to reconsider some or all of them if they decide to do so.

Assembly members discussed their thoughts on Ms. Becker's motion.

Ms. Becker further clarified her motion, saying she did not mean to include everything that was talked about tonight. She meant the part that seniors would be exempt on essentials, food, electricity, heating, fuel and 250% of poverty line. Not the out of town and eating at restaurants.

Mary Becker moved that the senior tax exemptions (4a & 4b) be put on the end of the budget process for reconsideration at that time.

Roll call votes:
Ayes: White, Nankervis, and Becker.
Nays: Kiehl, Gladziszewski, Jones, Troll, Crane, and Sanford.
Absent: None
and this motion FAILED 3-6.

Chair Crane asked if there would be any support for or discussion on a motion to raise the age limit so that the senior limit would gradually be increased over a number of years from 65. Not seeing any support, Ms. Crane moved on from the topic.

Jesse Kiehl recalled an idea that had been raised in a prior meeting, regarding a change to how vehicle leasing is handled. He asked that the topic be included in a future AFC meeting. Mr. Bartholomew mentioned that it was listed on page 14 of the current agenda packet. Mary Becker stated there were some other items on page 14 that could also be raised at a future AFC meeting.

Chair Crane said that AFC would discuss implementation of what had been agreed upon at the next AFC meeting.

V. Next Meeting Date

Wednesday, February 18, 2015

VI. Adjournment

Meeting was adjourned at 7:20 PM